

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801) 530-6980

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**BEFORE THE DIVISION OF SECURITIES**  
**OF THE DEPARTMENT OF COMMERCE OF THE STATE OF UTAH**

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IN THE MATTER OF:

**VIDEO PROJECTS, INC.;**  
DIKE EDWARD WILLIAMS, aka DWIGHT  
WILLIAMS, aka D. E. WILLIAMS; and  
ROBERT HOUSTON CALDWELL,

Respondents.

AFFIDAVIT OF SERVICE AND NON-  
RESPONSE

**Docket No. SD-06-0023**

Docket No. SD-06-0024

Docket No. SD-06-0025

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I, Pam Radzinski, first being duly sworn, depose and state as follows:

1. I am the Executive Secretary for the Department of Commerce Division of Securities (the Division).

2. As executive secretary for the Division, I am responsible for supervising the mailing of the Division's Orders to Show Cause and for receiving any responses filed by respondents.
3. On May 3, 2006, the Division mailed, by certified mail, an Order to Show Cause (OSC) to Video Projects, Inc., along with a Notice of Agency Action (Notice), advising that a default order would be entered if it failed to file a written response to the OSC within thirty (30) days of the mailing date of the Notice.
4. On May 10, 2006, the Division received notice from the United States Postal Service (USPS) that it was unable to deliver the OSC and Notice to Video Projects, Inc. because the location to which they were addressed was vacant. This was, however, the only known address for Video Projects, Inc.
5. On June 9, 2006, the Division mailed the OSC and Notice, by certified mail, to Dike Edward Williams, the last known registered agent, director, and president of Video Projects, Inc.
6. On or about June 13, 2006, the Division received notice from the USPS that the OSC and Notice were delivered to Williams on June 10, 2006.
7. At a hearing held before the presiding officer on July 6, 2006, Dike Edward Williams stated that Video Projects, Inc. was a defunct entity, and that he was not appearing on its behalf.

8. As of the date of this Affidavit, the Division has not received a response from Video Projects, Inc.

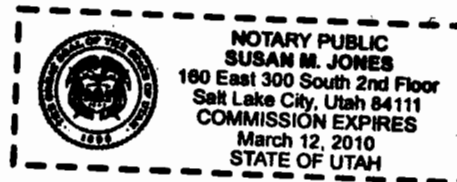
DATED this 14TH <sup>August</sup> day of ~~July~~, 2006.

Pam Radzinski  
PAM RADZINSKI  
Executive Secretary

SALT LAKE COUNTY       )  
                                      ) ss  
STATE OF UTAH            )

Signed and subscribed to before me this 14th <sup>August</sup> day of ~~July~~, 2006

Susan M Jones  
Notary Public



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ROBERT HOUSTON CALDWELL,

Respondents.

NOTICE OF ENTRY OF  
DEFAULT AND ORDER

**Docket No. SD-06-0023**

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Docket No. SD-06-0025

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**I. BACKGROUND**

A formal adjudicative proceeding was initiated by the Division's Order to Show Cause (OSC) and Notice of Agency Action (Notice) dated May 3, 2006, against Video Projects, Inc., Dike Edward Williams, and Robert Houston Caldwell (Respondents). At a hearing held July 6, 2006, the presiding officer, Wayne Klein, held Video Projects, Inc. in default for failing to reply to the May 3, 2006 OSC. On June 7, 2006, Robert Houston Caldwell entered into a Stipulation and Consent Order with the Division. The administrative action against Dike Edward Williams is ongoing.

## **II. FINDINGS OF FACT**

1. On May 3, 2006, the Division mailed, by certified mail, an Order to Show Cause (OSC) to Video Projects, Inc., along with a Notice of Agency Action (Notice), advising that a default order would be entered if it failed to file a written response to the OSC within thirty (30) days of the mailing date of the Notice.
2. On May 10, 2006, the Division received notice from the United States Postal Service (USPS) that it was unable to deliver the OSC and Notice to Video Projects, Inc. because the location to which they were addressed was vacant. This was, however, the only known address for Video Projects, Inc.
3. On June 9, 2006, the Division mailed the OSC and Notice, by certified mail, to Dike Edward Williams, the last known registered agent, director, and president of Video Projects, Inc.
4. On or about June 13, 2006, the Division received notice from the USPS that the OSC and Notice were delivered to Williams on June 10, 2006.
5. At a hearing held before the presiding officer on July 6, 2006, Dike Edward Williams stated that Video Projects, Inc. was a defunct entity and he was not appearing on its behalf.
6. At the hearing, the presiding officer held Video Projects, Inc. in default for failing to file a response by the imposed deadline.

7. Video Projects, Inc. (Video Projects) was a Utah corporation, registered with the Utah Division of Corporations on May 4, 1990. Video Projects' corporate status expired on June 4, 2001. Video Projects' business address was 1365 E. 10600 South, Sandy, Utah. Dike Edward Williams (Williams) was the registered agent, director, and president of Video Projects.
8. Between November 1998 and December 1999, Video Projects offered and sold investments in the form of promissory notes, guarantees, and stock options in Video Projects, to three Utah investors who invested a combined total of \$550,000.
9. Video Projects was purportedly in the business of computer sales, servicing, and training. Investors were told that Video Projects' stock was going to be offered to the public through an initial public offering (IPO<sup>1</sup>) and that investor funds would be used to complete the offering.
10. Investors were told that Video Projects needed to raise funds because Williams' cash was tied up in real estate; Williams owned real estate with equity of over \$7 million which would secure the investments; and Williams would provide each investor with a personal guarantee of repayment.

(Investor R. U.)

11. In the fall of 1998, Video Projects offered R. U. the opportunity to invest in Video Projects. R. U. was told Video Projects was going to complete an IPO and was looking

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<sup>1</sup> An IPO is a corporation's first offering of stock to the public.

for an investor to invest \$100,000 to help finance the offering. R. U. was also told he would receive a promissory note with an interest rate of 10-11% per year, a personal guarantee, and an option to purchase Video Projects' stock once its shares were offered for sale to the public.

12. Before R. U. invested in Video Projects, he was given an unaudited consolidated income statement (CIS) for Video Projects and related companies<sup>2</sup> for 1996 and 1997. The CIS stated that Video Projects and its related companies earned a net income of \$1,000,940 for 1996, and \$6,504 for 1997.
13. On November 23, 1998, R. U. decided to invest \$250,000 in Video Projects and sent the money via wire transfer to Video Projects' bank account at U.S. Bank.
14. As evidence of his investment, R. U. received a promissory note from Video Projects, with a face value of \$250,000, an interest rate of 10% per year, and a maturity date of June 1, 2001. R. U. also received a written personal guarantee from Williams.
15. Between January 14, 1999 and January 12, 2000, R. U. received thirteen interest payments of \$2,083 from Video Projects, for a total of \$27,083.
16. In early October 1999, R. U. was told if he wanted to "protect" and "cover" his \$250,000 investment, he should invest another \$100,000. R. U. was told that things were fine with Video Projects, but it needed more money to pay for the IPO.

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<sup>2</sup> Williams owned and operated three other companies, Red Post, LLC, Mountain West Video Productions, Inc., and Bell Canyon Shopping Center, LLC, which were included in the CIS.

17. Before making a second investment in Video Projects, R. U. received a personal finance statement from Video Projects' president, Williams, dated September 30, 1999, prepared by a certified public accountant. According to the financial statement, Williams had a net worth of \$16,870,000.
18. On October 26, 1999, R. U. invested an additional \$100,000 in Video Projects, by sending \$100,000 via wire transfer to Video Projects' account at U.S. Bank.
19. As evidence of his second investment, R. U. received a promissory note from Video Projects with a face value of \$100,000, an interest rate of 11% per year, and a maturity date of November 1, 2000. R. U. also received a written personal guarantee from Williams.
20. R. U. received only two interest payments on his second investment with Video Projects. R. U. received the first interest payment of \$1,008.36 on December 28, 1999, and the second interest payment of \$916.66 on January 12, 2000.
21. Since January 2000, R. U. has received no return of interest or principal from Video Projects.
22. On March 26, 2002, R. U. filed a lawsuit against Video Projects and Williams in an attempt to collect on his investment. R. U.'s lawsuit is currently pending in Utah's Third Judicial District Court.

(Investor J. W.)

23. In the Fall of 1998 and 1999, J. W. met with representatives of Video Projects to discuss an investment in Video Projects. J. W. was told that Video Projects' focus was shifting from the sale of computers and instructional videos, to post-sale computer service centers; that Video Projects planned to contract with computer manufacturers who would pay a fee for each computer they produced; that Video Projects would then support the computer purchasers who experienced problems with the computer, or had complaints about the product. J. W. was given a copy of a proposed promissory note, and Williams' personal finance statement. According to Williams' personal finance statement, Williams had a net worth \$16,870,000.
24. On October 26, 1999, J. W. was told there was no competition for Video Projects' call-in center because it could run the center better, faster, and cheaper than the computer manufacturers.
25. J. W. was shown some property appraisals and told that Video Projects needed investor money for an IPO because all of money was tied up in real estate. The appraisals showed that Williams' property was valued at approximately \$13 million. J. W. was told there was \$10 million in equity in the properties owned by Williams, and the investment was a "no lose proposition" with "no risk" because Williams could pay J. W. himself.
26. J. W. was told Video Projects was looking for a few investors to invest \$200,000 to \$250,000 each, but that he could invest \$100,000 if that was what he had.

27. Later that same day, J. W. returned to Video Projects with a personal check for \$100,000, written out to Video Projects, which he gave to Williams.
28. As evidence of his investment, J. W. received a promissory note from Video Projects dated October 26, 1999 to J. W., with a face value of \$100,000, an interest rate of 10% per year, and a maturity date of May 1, 2002. J. W. also received a written personal guarantee from Williams.
29. J. W. has received no return of interest or principal on his investment with Video Projects.

(Investor R. A.)

30. In late November or early December 1999, R. A. was offered an investment opportunity in Video Projects. R. A. was told that any investment in Video Project would involve no risk because it would be secured by real property with approximately \$9 million in available equity.
31. Sometime between late October and early December 1999, R. A. was told that Video Projects was going to go public through an IPO.
32. On December 17, 1999, R. A. was told that Video Projects was moving into the computer service call-in center business and that there was a market for call-in centers of this type, but almost no competition.

33. On the same day, R. A. invested \$100,000 in Video Projects, by personal check made out to Video Projects, Inc. R. A. received a promissory note and principal terms agreement, a personal guarantee, a confidentiality agreement, and a stock option plan.
34. R. A.'s promissory note was dated December 17, 1999, with a face value of \$100,000, an interest rate of 10% per year, and a maturity date of June 17, 2000.
35. R. A. received no return of interest or principal from his investment in Video Projects.

Misrepresentations and Omissions

36. In connection with the offer and sale of securities to R. U., J. W., and R. A., Video Projects made false statements, including, but not limited to, the following:
  - a. That investor money would be used to prepare Video Projects' initial public offering, when, in fact, investor money was used to pay interest payments to other investors, payroll, miscellaneous bills (AT&T / Questar), country club dues, and mortgage payments on properties owned by Video Projects' president;
  - b. That there was no risk involved in the investment because Williams had an abundance of equity in the property he owned, when, in fact, the investment involved many risks and Video Projects had no reasonable basis on which to make such a representation;
  - c. That Video Projects was a viable company, when, in fact, Video Projects was a financially distressed company with serious cash flow problems. Video Projects owed First Security Bank and Synnex Information Technologies \$1.5 million and

\$972,522 respectively, and because of its inability to pay, Williams was forced to seek forbearance agreements<sup>3</sup> from these two creditors, which were executed on September 9, 1999 (Synnex), and March 21, 2000 (First Security). In addition, Video Projects was the sole source of income for three other companies ran by Williams (Red Post, LLC, Mountain West Video Productions, Inc., and the Bell Canyon Shopping Center, LLC). As a result of the cash flow problems, creditors were beginning the foreclosure process, filing law suits, and obtaining judgments against Video Projects;

- d. That R. A.'s investment would be secured by real property, when, in fact, R. A.'s investment was never secured by real property;
- e. That Williams would personally guarantee any investment of money, when, in fact, Williams lacked net personal assets sufficient to make good on the guarantee;
- f. That Video Projects had computer call-in service centers, when, in fact, former employees said Video Projects had no call-in centers for the sale of computers, or for customer service issues regarding computers sold by other computer manufacturers;

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<sup>3</sup> A forbearance agreement is a written repayment agreement between a lender and a mortgagor, which contains a plan to reinstate a loan that is overdue and unpaid, in order to avoid a declaration of default and a foreclosure on collateral.

- g. That Williams' property had appraised at \$13 million, and had an abundance of equity, when, in fact, no investor received certified appraisals of Williams' properties, and based upon the desperate financial condition of the company, Video Projects had no reasonable basis on which to make these representations;
  - h. That the investment carried "no risk" and was a "no lose" proposition, when, in fact, the investment involved many risks and Video Projects had no reasonable basis on which to make such representations; and
  - i. That Williams' net personal worth was \$16 million, when, in fact, the CPA who prepared Williams' personal financial statement relied entirely upon Williams' estimate of the value of his commercial and personal property, and saw no documentation to verify the property value. Video Projects, therefore, had no reasonable basis on which to make this representation.
37. In connection with the offer and sale of securities to R. U., J. W., and R. A., Video Projects failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
- a. That Video Projects was experiencing cash flow problems;
  - b. That Williams had two outstanding civil judgments against him totaling \$18,165;
  - c. That Video Projects and Williams were seeking a forbearance agreement from First Security Bank and a company called Synnex Information Technologies for unpaid loans of approximately \$2.5 million;

- d. Whether Video Projects had operating call centers, and if so, where they were located;
- e. That income from Video Projects was being used to operate Red Post, LLC, Mountain West Video Productions, Inc., and the Bell Canyon Shopping Center, LLC, other businesses owned and operated by Williams;
- f. The true amount of equity in properties owned by Video Projects and Williams;
- g. Whether there were any contracts with computer manufacturers;
- h. Some or all of the information typically provided in an offering circular or prospectus, regarding Video Projects, such as:
  - i. The business and operating history for the subject company;
  - ii. Identities of principals in the company along with their experience in this type of business;
  - iii. Financial statements for the company;
  - iv. The market for the product of the company;
  - v. The nature of the competition for the product;
  - vi. Current capitalization of the issuer;
  - vii. A description of how the investment would be used in the business;
  - viii. The track record of the company to its investors;
  - ix. Risk factors for investors;
  - x. The number of other investors;

- xi. The minimum capitalization needed to participate in the investment;
- xii. The disposition of any investments received if the minimum capitalization were not achieved;
- xiii. The liquidity of the investment;
- xiv. Discussion of pertinent suitability factors for the investment;
- xv. The proposed use of the investment proceeds;
- xvi. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;
- xvii. Agent commissions or compensation for selling the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and
- xix. Whether the person selling the investment was licensed.

### **III. CONCLUSIONS OF LAW**

- 38. The service of the OSC and the Notice initiating these proceedings is valid upon Video Projects based on the attempted service at the company's last known address and service on the company's last registered agent, director, and president.
- 39. Because Video Projects did not file an answer or written response it is in default.
- 40. The promissory notes, guarantees, and stock options offered and sold by Video Projects are securities under the Utah Uniform Securities Act (the Act).

41. In connection with the offer and sale of securities, Video Projects made untrue statements of material fact to Utah investors.
42. By this conduct, Video Projects violated § 61-1-1(2) of the Act.
43. In connection with the offer and sale of securities, Video Projects omitted to state to Utah investors various material facts which were necessary to make the statements made not misleading.
44. By this conduct, Video Projects violated § 61-1-1(2) of the Act.

#### **IV. ORDER**

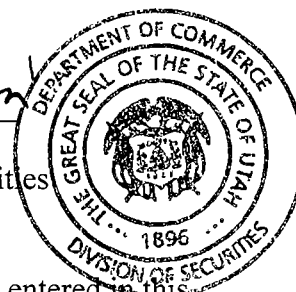
Based on the above, the Director hereby:

1. Declares Video Projects in default for failing to respond to the OSC and Notice issued May 3, 2006.
2. Enters, as its own findings, the Finding of Fact described in Section II above.
3. Enters, as its own conclusions, the Conclusions of Law describe in Section III above.
4. Finds that Video Projects willfully violated the Utah Uniform Securities Act by:
  - a. Making material misrepresentations in connection with the offer and sale of securities in Utah in violation of § 61-1-1(2); and
  - b. Omitting to disclose material information in connection with the offer and sale of securities in Utah in violation of § 61-1-1(2).

5. Orders Video Projects to permanently CEASE and DESIST from any violations of the Act.
6. Orders Video Projects to pay a fine of two hundred and fifty thousand dollars (\$250,000) to the Division.

DATED this 15<sup>th</sup> day of August, 2006.

  
WAYNE KLEIN  
Director, Division of Securities



Pursuant to § 63-46b-11(3), Respondent may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.

**Certificate of Mailing**

I certify that on the 15th day of August, 2006, I mailed, by certified mail, a true and correct copy of the Notice of Entry of Default and Order to:

Video Projects, Inc.  
C/O Dike Edward Williams  
336 5<sup>th</sup> Ave.  
Salt Lake City, UT 84103

Certified Mail # 70060100000176888879

Pamela RASHISH  
Executive Secretary